

# *How to Become Your Customer's Software Provider of Choice*

2005 CMMI Technology Conference

The David Consulting Group  
*Achieving Software Excellence*

[www.davidconsultinggroup.com](http://www.davidconsultinggroup.com)

# DISCUSSION POINTS

- ❑ **Why are organizations wanting to move IT offshore?**
  - Level 5 service providers promise to deliver high quality software
- ❑ **How can internal IT compete with offshore Level 5 providers?**
  - What matters most to your customer?
  - How can you maximize current practices?
- ❑ **At what level does your IT organization need to perform in order to be considered a top performer?**
- ❑ **How can you become customer's software provider of choice**

# WHY DO WE OUTSOURCE

## Reasons for Outsourcing

## # Respondents

- |                                                                |     |
|----------------------------------------------------------------|-----|
| ➤ Reduce/control costs                                         | 44% |
| ➤ Free up internal resources                                   | 20% |
| ➤ Gain access to world-class capabilities                      | 13% |
| ➤ Increase revenue potential                                   | 13% |
| ➤ Reduce time to market                                        | 11% |
| ➤ Increase process efficiencies                                | 11% |
| ➤ Follow company philosophy of outsourcing non-core activities | 11% |
| ➤ Compensate for lack of appropriate skills                    | 8%  |

Source: Computerworld and Interunity Group, Inc. Concord Mass, April and May 2003

# FINDING THE HIDDEN COSTS

- The process of outsourcing incurs cost
- Costs incurred after contract signed
- Travel
- Employee turnover
- Communications

Source: Information Week, “Offshore Outsourcing”, Sept. 2004

# THE OUTSOURCING MODEL

IT Dept.

- Project Management
- Process Management
- Engineering
  - Requirements
  - Design
  - Build
  - Test
  - Validation
  - Verification
- Service Level Management
- Contract Management

Business Requirements

Offshore Provider

- Project Management
- Process Management
- Engineering
  - Requirements
  - Design
  - Build
  - Test
  - Validation
  - Verification
- Service Level Management
- Client Management
- Status Reporting
- Delivery

Software Deliverables

# RISKS ASSOCIATED WITH OUTSOURCING

## ➤ **Communication**

- The greatest barriers or challenges in the IT offshore outsourcing market are cultural and language differences; this often results in communication difficulties between customer and provider

**IMPACT:** Requirements Management, Status Reporting, Problem Resolution

## ➤ **Staffing**

- The ability to retain highly skilled developers and/or customer-specific knowledgeable staff is always a problem, particularly in a competitive marketplace such as India

**IMPACT:** Engineering

## ➤ **Project Management**

- Project managers are asked to manage both products and services; often their skills are more technically oriented, and they might not have the appropriate skills to manage a client

**IMPACT:** Project Management

## KEY AREAS FOR CONSIDERATION

- **The delivery model.** Which attributes of a high maturity provider impact my project deliverables the most?
- **Risk management.** Staffing, communication and project management are risks we all share; what can you do to mitigate those risks?
- **The strategic business drivers.** If cost control is a main issue, how can we compete with offshore pricing models?



# THE INSOURCING DELIVERY MODEL

Customer

Business  
Requirements

Provider  
(Your IT Dept)

Project Management  
Process Management  
Engineering  
    Requirements  
    Design  
    Build  
    Test  
    Verification  
    Validation  
Service Level Management  
Contract Management

Project Management  
Process Management  
Engineering  
    Requirements  
    Design  
    Build  
    Test  
    Verification  
    Validation  
Service Level Management  
  
Client Management  
Status Reporting  
Delivery

Software  
Deliverables

# OUTSOURCE-PROOF YOUR IT ORGANIZATION

- Compete on process
  - Repeatable development and project management processes
- Develop an enterprise architecture
  - More flexible and productive across different areas of the business
- Sell service levels
  - Focus on quality
- Re-educate your staff
  - Transform into collaborators
- Get transparent
  - Show actual costs to customer

Source: CIO Magazine, "How to Outsource-Proof Your IT Department", 10/15/2004

## LEVEL 2 FOCUSES ON PROJECT MANAGEMENT

- Requirements Management - Creates a common understanding of the customer's requirements and aids in the communication of changes to those requirements
- Project Planning - Creates and communicates plans for managing the software project
- Project Monitoring and Control - Tracks and reports project progress so that interested parties can respond and take action when actuals vary "significantly" from the plan
- Process and Product Quality Assurance - Provides insight into the process being used and the products being built
- Configuration Management - Maintains the integrity of the software products throughout the software life cycle; this practice is of particular significance to the customer if the software is going to be developed and maintained on the customer's platform

# COMMUNICATION

Several of the Level 2 (and 3) practices are very beneficial in terms of promoting better communication on a project-by-project basis.

- This would include Requirements Management, Project Planning and Project Monitoring and Control
- Level 3 includes Organizational Process Focus and Organizational Process Definition, which could be a positive contributor to defined roles and improved communication
- Measurement and Analysis creates an atmosphere that lends itself to the establishment of meaningful, quantitative service level measures

# STAFFING

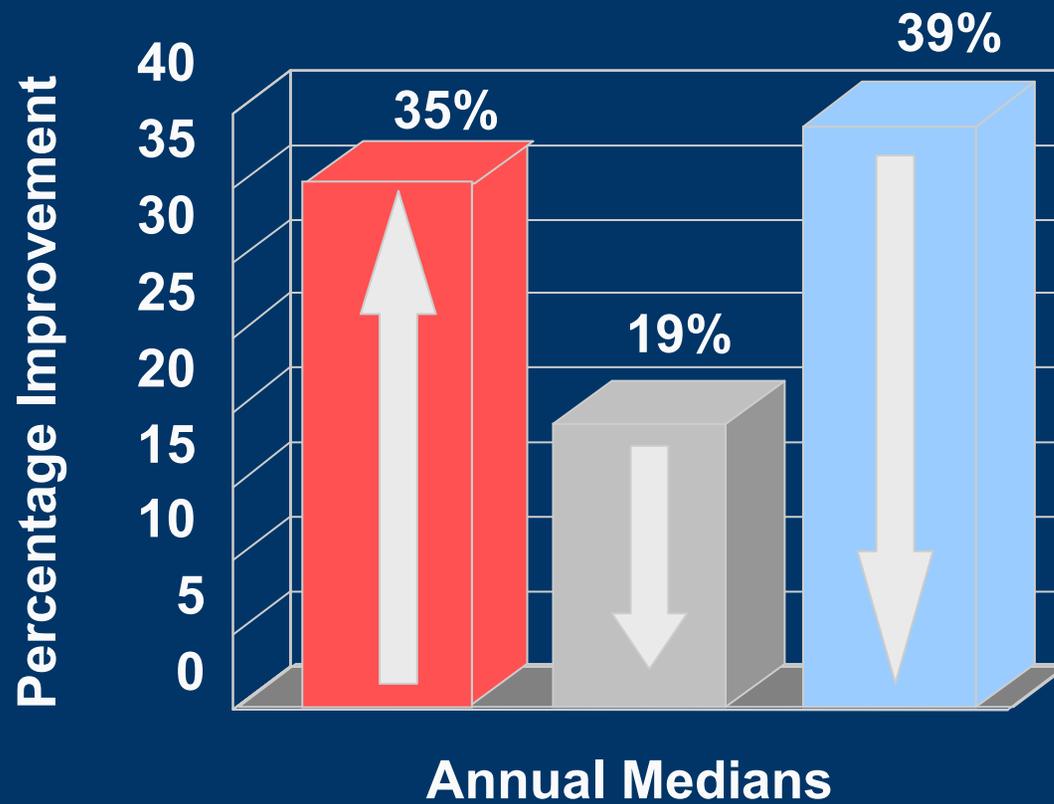
- Being a Level 3 maturity provider probably ensures a greater level of consistency (roles and responsibilities are well defined) and may have some impact on the long-term effects of staffing variations
- The CMMI® addresses Organizational Training (Level 3) and generally accounts for well-defined procedures and practices
- The CMMI ® emphasizes that adequate resources are applied to all PAs and that personnel must be prepared to perform their assigned tasks

# PROJECT MANAGEMENT

There are numerous process areas at Levels 2 and 3 that support effective and efficient project management practices.

- Project Planning, Monitoring and Control, Configuration and Requirements Management and Measurement and Analysis are among them
- At Level 2 the CMMI® focuses on project-specific tasks at the project management level, requires procedural documentation and at the higher maturity levels process performance is measured, stabilized and improved
- All in all, the CMM® Levels 2 and 3 are best suited to address the more critical issues associated with project management

# IMPROVEMENTS FROM CMM



Savings vs. cost of software process improvement (median)  
**5:1**

- Productivity (increase)
- Time to market (reduction)
- Post-release defect reports (reduction)

## A REVIEW OF THE ESSENTIALS

- Cost is a business driver - know your costs, show your costs
- Effective communication builds good relationships - service providers are in the relationship business
- Understand current capabilities and set reasonable (measurable) expectations
- Adopt the essential Level 2 & 3 practices - project management, requirements management and quality control

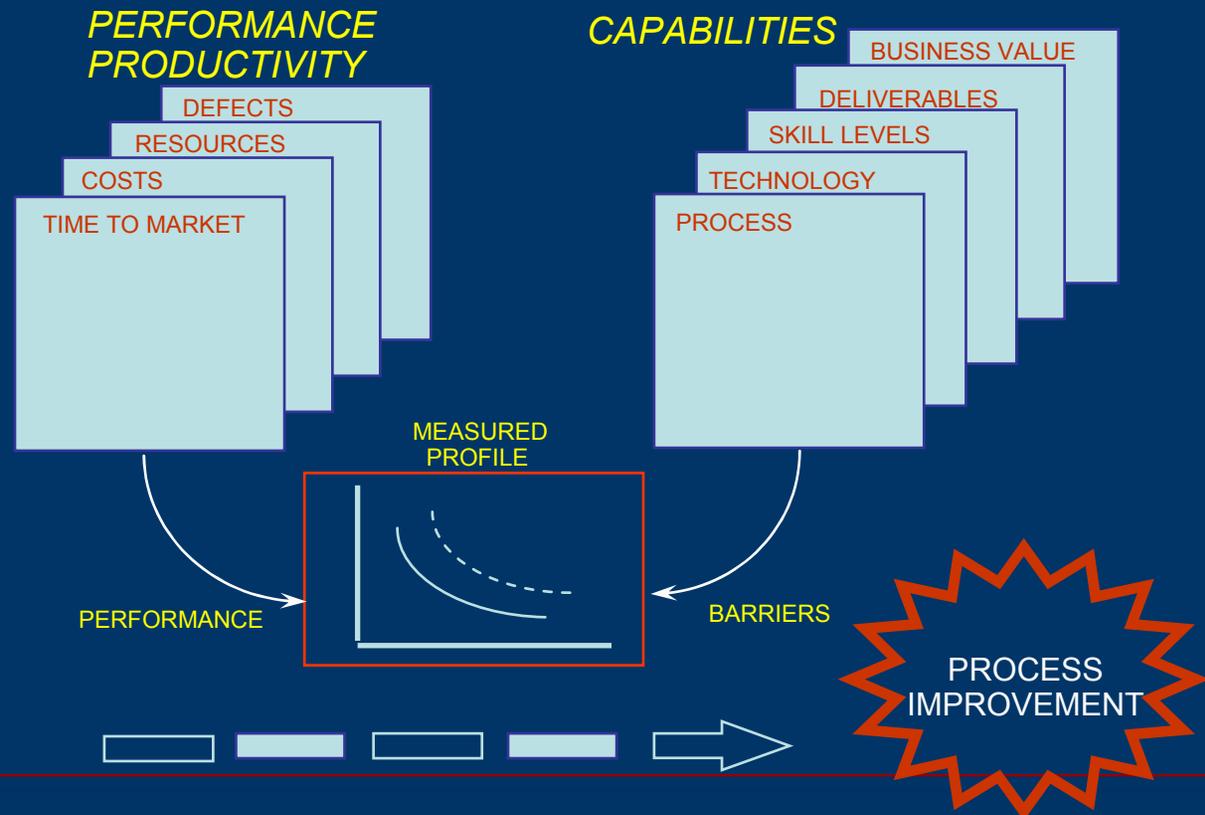
# ASSESSING CAPABILITIES

## ➤ Internal Assessment

- ◆ Conduct a self assessment
  - ✦ Identify Gaps
  - ✦ Develop an Action Plan
- ◆ Focus on key processes that have the highest impact
  - ✦ Control, communicate, perform
- ◆ Set expectations
  - ✦ Improvement takes time
  - ✦ Show measured improvement

# BASELINE PERFORMANCE

- Create a measured profile of key performance indicators
- Use results to properly set SLA targets
- Make comparisons to industry benchmark performance levels



# WEIGHING THE PROS AND CONS

## The Pros of Using a High Maturity Provider...

Levels 4 and 5 of the CMMI ® emphasize performance measurement. The ability to measure is a key ingredient in evaluating the success of the relationship and the adherence to contractual commitments. However, you don't have to be a high maturity organization in order to effectively measure levels of performance.

A high maturity organization brings to the client a greater exposure to “best practices” software development procedures and stresses the need for continuous process improvement. Process improvement is a mindset that can be ingrained into the current culture.

## One con of Using a High Maturity Provider ...

There are no guarantees that a high maturity CMMI ® provider will be successful in producing lower cost software or higher quality software, or will reduce the barriers for successful delivery.

# ACT LIKE A SERVICE PROVIDER

- Establish good relationship management practices
- Improve your credibility
- Establish service levels
- Reduce your costs – improve productivity
- Practice effective change control
- Accentuate your positives – on site, business
- Outsource smart – what stays vs. what goes

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